App. F. IX-4

1939.

Previous References.

I&C 144-35 (1-4)
281-39 (1-4)

Later References.

I&C File No. 281 — 39

Serial Nos. 5, 6

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 2.

Part B for Aug. 1942

SUBJECT.

Rates of depreciation on fixed assets ~~in respect~~ in respect of the Government Porcelain Factory.

To the Government Director,
Industrial Concerns
Comptroller through the
Financial Secretariat

D484-85 D 16-7-42

Sanction as certain —

Depreciation on Fixed Assets of the Govt Porcelain Factory. 4926

General and Revenue Secretariat | P/C File No. 281 of 1939. | [App. F. III-2

Serial No. 5

Letter No 1210 dated 21st March 1942 from the Govt Director, Industrial Concerns, forwarding a statement showing the rates of depreciation now Provided for, and the rates sanctioned for the Govt Porcelain Factory, and requesting sanction to the rates provided therefor in the Factory

1) The Govt Director's letter is for perusal. It is seen from the statement that the Percentage Provided at Present is low as compared with the Percentage sanctioned vi Go. No D 5930-31/P/c 144-35-4 dated 27-3-36. The Comptroller may Perhaps be consulted in the matter in the first instance.

Secy T A

2) Regarding the agency of m/s Best Lee, it is reported that the Company is given a commission of 6¼ % both on direct sales and the sales through the agents. The Govt Director's Proposal to continue the terms Pertaining to commission without any revision is for orders. Fin Secy has to be consulted. Submtd for orders

10/4/42

Dev Secy)

3) To U.4.

4) A. Yes, U.O.

13/4/42

To U.4

SECY DEPT 11 APR 1942 GOVT OF MYSORE

NOTE—Cont. Sheet.

WD 04155—GPB—55,000—28-10-41

Depreciation on fixed Assets of the Govt Porcelain Factory

4926

9/c File No. 281 of 1939.

General and Revenue Secretariat

Serial No.

Forwarded unofficially with compliments to the Comptroller & Govt for favour of remarks.

No.26/42
16.4.42

C&AD. 20/IAD

12 APR 1942
672/Spl
U.O. NO 107

For. Secretary to Govt
to Development Department

C&AD
2 3.4.42

No. 625/Spl dated 12-5-42

U.O.No.643/IAD Dated 9th May 1942.

Returned with compliments.

2. The existing rules for the levy and adjustment of depreciation charges are clear (vide Correction Slip No.5 to Mysore Account Code Vol.III Part III). As fixed assets, such as buildings, plant and machinery are subject to wear and tear and will have been reduced in value by operation, depreciation should be adjusted in the accounts. The rates for calculation of depreciation have been specifically fixed in Government Order No.D.5930-31/I&C.144-35-4 dated 27th March 1936. But the suggestion of the Government Director of Industrial Concerns to provide for depreciation at reduced rates is no remedy for the deficit, the concern may have to face each year. It would be suitable to keep a pro forma account for the unprovided depreciation on the assets at the

usual

4926

Comptroller's Office | File No. | of 194....

Serial No.	
	usual rates for eventual adjustment on the Concern working at a profit in future years. There is a precedent also for this method. When the Mysore Iron & Steel Works were working at a loss for a number of years, no provision was being made for depreciation and interest before arriving at the results of the working of the Concern. When this defect was brought to the notice of Government in the Audit Report on the accounts of the Concern, it was ordered that "when the Works as a whole are working at a loss there is no object in providing for interest and depreciation charges. No further orders on this point are necessary" (vide Government Order No.D.1400-1/I.W.230-47 dated 28-9-1932 Para 9).
	3. 8) The Iron Works are now working at a profit which is being adjusted towards the unsatisfied depreciation of previous years. A similar procedure may be ordered to be followed in this case also.
	4. 9) Depreciation on the Power Plant, washing tank and Kiln are to be determined with reference to their estimated period of utility. This information is not available from the letter of the Government Director of Industrial Concerns. There is also no specific provision for these items in the Government Order referred to in Para 2 above.
	5. 10) The provision of 10 per cent for loose tools seems to be inadequate and a higher percentage ranging between 15 and 20 per cent appears to be called for as these articles are liable to excessive wear and tear and have to be replaced frequently.

NOTE—Contn. Sheet.

Deputy Comptroller
(for Comptroller absent from Hd.Qrs.)

AVR/9 5/9.42

Depreciation on fixed Assets of the Govt Porcelain Factory

4926

Comptroller's Office

Misc File No. 281 of 1939.

Serial No.

11) This may perhaps be referred unofficially to the Govt Director, Industrial concerns for further remarks on the observations made by the Comptroller. Submtd for orders with ref to Para 4 Supra.

15/5/42.

12) Forwarded unofficially, with compliments to the Govt Director Industrial Concerns for favour of further remarks, if any.

GOVT. DIRECTOR INDUSTRIAL CONCERNS 19. MAY 1942

D.O. No. 290 of [illegible]
18.5.42

F. Ramanna
18/5 Dy Secy

Returned with compliments.

13) As the Govt. Porcelain Factory has since increased its output considerably and expects to make a profit during this year even after providing for depreciation, the provision for the prescribed depreciation may be ordered to be made in the accounts of the Govt. Porcelain Factory.

D.O. No. G-2034
16-6-42

14) As regards the rates of depreciation, the rate prescribed in the G.o.No.D.5930-31/I&C.144-35-4 dated 27th March 1936 in the Accounts Manual of the Department of Industries & Commerce lay down general rates for adoption and have been further examined with reference to the actual conditions of the Govt. Porcelain Factory. The depreciation prescribed in the Accounts Manual at 5% for buildings will be too high in the case of Pucca buildings and as the Government Porcelain Factory buildings have been constructed in a pucca manner on solid foundations with solid roofing etc. the 2½% now being adopted seems to be adequate and may be approved.

IX

SECY DEV DEPT 17. JUN. 1942

15) As regards items 2 & 3, Machinery and Furniture,

Government Director, Industrial Concerns | File No. | of 194 .

Serial No.

Furniture, I am agreeable to the prescribed rates being adopted from the year 1942-43. I shall issue instructions to the General Manager accordingly.

As regards items 4 & 5, the rates of 5% and 7½ respectively now being allowed are somewhat low and will be enhanced to 7½% and 5% from the year 1942-43. As regards item 3 Kilns, coal fired, the rate of 7½% now being provided for is reasonable and will be continued.

As regards Tools and Dies, in the light of the Controller's opinion I am agreeable to a rate of 15% being allowed.

Summing up, I request that the provision of depreciation on the assets of the Government Porcelain Factory at the rates prescribed below from the year 1942-43 may be kindly approved by Government:-

1. Buildings	..	2½%
2. Machinery	..	7½%
3. Furniture	..	10%
4. Lower Plant and Transmission	..	7½%
5. Clay Working Tank	..	5%
6. Kiln, Coal fired,	..	7½%
7. Tools and Dies	..	15%

Govt. Director, Industrial Concerns.

Devel. (Joint Secretary)

Fin. (Offr.)

A. These proposals may be appd.

Min J & R

W 18/6/42

Mine II Accts

23.6

AS 19.6.

23/6/42

W

19/6/42

22 JUNE 1942

7563

NOTE—Contn. Sheet.

Depreciation on Fixed Assets of the Govt Porcelain Factory

9c File No. 281 of 1939. | Government Director, Industrial Concerns

Serial No.

Orders are required on 2 points in this case viz (1) Depreciation on fixed Assets.
2) Agency of messrs Best & Co. Orders have been passed on item No 1, and Orders are solicited on item No 2, before putting up a draft.
Submtd for orders

29/6/42

Reference para (2)

For Dev Secy)

29.6.42

The Govt Dir's proposal that the existing terms re. Comm" may continue, may be appd. Please sft accordingly. A

30/6/42

For 4/7/42

Draft G.o for approval

For Perusal before issue

For Dev Secy)

6.7.42

A. For approval.

Min. F & R)

9/7/42

9.7.42

9/7/42

9/7/42

9.7.42

R. Comm. 915

Financial Secretary's Office

GPB—1,000—25-9-40

13/7/42

13.7

17/7

17/7

30 JUN. 1942

TYPING SECTION
13 JULY 1942
GEN. & REV. SECTT.

DEV DEPT OFFICE
8 JUL. 1942

OFFICE OF THE MINISTER FOR FINANCE & REVENUE
8 JULY 1942
No. 127

General and Revenue Secretariat

File No. 28/ of 1939. [App. F. III-2

Serial No.	
6	To the Govt Dir PC — Copy Ts 484-S dy 16.7.42 Sanctions the proposals of the Govt Dir.
	B B 8/8/42

NOTE—Cont. Sheet.

WD 04155- GPB—55,000—28-10-41

GOVERNMENT OF MYSORE.

Telephone No. 2272

UNITED INDIA BUILDINGS,
Sri Narasimharaja Road,
Bangalore City,

No. [illegible]Conc(2)

Dated...21st..March..... 1942.

FROM

E. VENKANAPATI IYER, Esq., B.Sc.,
Government Director, Industrial Concerns,
BANGALORE.

25 MAR. 1942
49-6

To

The Secretary to Government,
Development Department,
Bangalore.

Sir,

Adverting to G. O. No.D2458-59/I&C 281-39-4 dated 13/14th November 1939 regarding the observations of Government on the audit report of the Government Porcelain Factory for the year ended 30-6-38 and calling for reports on the marginally subjects I have the honour to state as follows:-

1. Depreciation on fixed Assets.
2. Agency of Messrs. Best & Co.,

Depreciation on Fixed Assets:- A statement showing the rates of depreciation now being provided for and the rates sanctioned for some of the items in G.O. No.D5930-34/I&C 144-35-4 dated 27-3-36 is enclosed herewith. The Comptroller has observed that the rates allowed at present are lower than the prescribed rates and are for orders of Government. I wish to state that the Government Porcelain Factory is yet in an unbalanced condition having to face deficits from year to year. The working capital of the concern has been materially affected by carrying forward the accumulated losses even at the rates of depreciation adopted now. Any further enhancement of these rates will only augment the losses while the concern is not in animmediate position to have the depreciation adjusted in the treasury books. I may also mention that the Special Auditor deputed for the inspection of the accounts of the concern has in his report dated 26-10-1939 observed that in the circumstances it does not seem necessary to provide in accounts for depreciation or interest which go only to

to increase the losses. An extract from his report on this subject is enclosed for reference. However as depreciation is already being provided in the accounts and a sum of Rs.12,667/- has already been adjusted in the previous years it may not be necessary entirely to disregard depreciation. The present rates may be continued till the concern is in a position to balance itself and the accounts show profits. From this year onwards, the position seems to be greatly improved, and when there are substantial profits in the coming years, the arrears of depreciation will also be adjusted. Sanction of Government may kindly be obtained to the proposal.

Agency of Messrs. Best & Co.,:- The Comptroller has observed that the commission at 6¼% is being allowed both on direct sales by the factory and sales through the agents.and that the direct sales are four times that of the Agents' business. This is due to the practice of the Government Porcelain Factory entertaining the sales correspondence directly with parties. The position has been reexamined and it is now arranged that the sales by the Factory direct will only be few and exceptional. As the agents are the sole distributors for the area the commission has to be allowed on all sales and similar terms have already been sanctioned by Government in the case of the agency of Messrs. Jayabharatham Co., Madras for crockeryware and also in other cases. Besides the commission allowed to Messrs. Best & Co., is very low and some agents like Messrs. Volkart Bros., are ~~using~~ urging for the reconsideration of the terms of commission. In view of the above circumstances I request that the terms already sanctioned to Messrs. Best & Co., both on direct and indirect sales be continued without any revision.

I have the honour to be,
Sir,
Your most obedient servant,

Government Director.

KVS.

Statement sho s of depreciation on assets pro the Govt. Porcelain

	Percentage prescribed in Accounts Manual & of Department of Industries & Commerce. Vide G.O.No.D.5930-31 I&C 144-35-4 dated 27-3-1936.	Percentage provided for in Government Porcelain Factory at present.
1. Buildings.	5	2½
2. Machinery	7½ 7½	5
3. Furniture	10	5
4. Power Plant and Transmission.	No prescribed rate.	5
5. Clay Washing Tank.	-do-	2½
6. Kiln, coal fired.	-do-	7½
7. Tools and Dies.	-do-	10

V. Narayanaswamy
for Government Director, 28/8/42
Industrial Concerns.

BR.

Extract from the Special Auditor's Report.

" When a concern has not been able to balance ordinary receipts and expenditure it seems not necessary to provided in in accounts for depreciation or interest which go only to increase the losses.

In such circumstances, it is sufficient to maintain a pro forma account to show the unsatisfied depreciation and interest so as to meet such charges when the subsequent operations earn surplus. Approval of Government may therefore be obtained for reducing the net loss to Rs.24,520/- after transferring the balance under the depredation fund accounts. "

———

Government Director,
Industrial Concerns.

KVS.

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS
THE MAHARAJA OF MYSORE.

R e a d:-

Government Order No.D.5930-31/I & C 144-35-4 dated 27th March 1936 sanctioning the marginally noted rates of depreciation charges in respect of several classes of assets of Industrial concerns.

Buildings.....	5%
Machinery.....	7½%
Furniture.....	10%

2. Government Order No.D.2488-39/I & C 201-39-4 dated 14th November 1939 recording the audit report of the Government Porcelain Factory for the year ended 30th June 1938 and calling for reports on the depreciation of fixed Assets and stating that the terms of the agency of Messrs. Best & Co., be expedited.

3. Correspondence ending with Unofficial Note No.G.2034 dated 16th June 1942 from the Government Director, Industrial Concerns, stating that the Government Porcelain Factory has increased its output considerably and expects to make a profit during this year after providing for depreciation charges, and recommending that the provision of depreciation on the assets of the Factory at the rates as detailed in the margin may be accepted from the year 1942-43 onwards and that the terms already sanctioned to Messrs. Best & Co., both on direct and indirect sales may be continued without any revision.

1) Buildings.....	2½%
2) Machinery.....	7½%
3) Furniture	10%
4) Power Plant & Transmission..	7½%
5) Clay washing Tank.....	5%
6) Kiln, Coal fired.....	7½%
7) Tools and Dies.....	15%

Order No. D 484 89/II C 281-39-6

Dated, Bangalore the 16th July 1942.

The proposals of the Government Director are sanctioned.

for Secretary to Government,
Development Department.

To

The Government Director, Industrial Concerns.
The Comptroller to Government, through the Financial Sectt.

SUBJECT

Diary No. of letter replied to .....

Section.

File No.

Serial No.

General and Revenue Secretariat

( )

the 193

Proceedings of the Government of
His Highness the Maharaja of Mysore

Date of issue 193

Signed by .....

May this be—

(i) printed ?

(ii) treated as a standing order ?

(iii) published in the Gazette, English Part ?

(iv) translated ?

(v) placed at the disposal of the press ?

(vi) published in the Gazette, Kannada Part ?

List of Enclosure

Examined by

Recommended by